HIGHLIGHTS OF FINANCIAL POSITION

Overview of Financial Data

We received an unqualified opinion on our financial statements from Grant Thornton, LLP. These statements combined the results from the programs we administer, which include the Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI) programs (referred to as OASDI when discussing them in combination), and the Supplemental Security Income (SSI) program. OASI and DI have separate funds, which are financed by payroll taxes, interest on investments, and income taxes on retiree benefits (OASI only). SSI is financed by general revenues from the U.S. Treasury. Our financial statements, notes, and additional information appear on pages 99 through 152 of this report. The following table presents key amounts from our basic financial statements for FYs 2008 through 2010.

Table of Key Measures[1]
(dollars in billions)

	2010	2009	2008
Net Position (end of fiscal year)			
Total Assets	$2,635.5	$2,553.6	$2,414.7
Less Total Liabilities	$95.9	$94.8	$87.2
Net Position (assets net of liabilities)	$2,539.6	$2,458.8	$2,327.5
Change in Net Position (end of fiscal year)			
Net Costs	$752.3	$731.6	$658.4
Total Financing Sources[2]	$833.0	$863.0	$842.8
Change in Net Position	$80.8	$131.3	$184.4
Statement of Social Insurance Old-Age, Survivors and Disability Insurance (calendar year basis)			
Net present value (NPV) of future cash flows for all participants over the next 75 years (open group), current year valuation	-$7,947	-$7,677	-$6,555
NPV of future cash flow for all participants over the next 75 years (open group), prior year valuation	-$7,677	-$6,555	-$6,763
Change in NPV	-$270	-$1,123	$208

1. Totals do not necessarily equal the sum of rounded components.
2. Total Financing Sources includes both the Total Financing Sources and Total Budgetary Financing Sources lines from the Statement of Changes in Net Position.

Balance Sheet: The Balance Sheet displayed on page 100 presents our assets, liabilities, and net position. Total assets for FY 2010 are $2,635.5 billion, a 3.2 percent increase over the previous year. Of the total assets, $2,619.7 billion primarily relates to earmarked funds for the OASI and DI programs and approximately 98.1 percent are investments. By statute, we invest those funds not needed to pay current benefits in interest bearing Treasury securities. Investments increased $82.1 billion over the previous year primarily due to tax revenues of $646.7 billion, and interest on those investments of $118.0 billion, exceeding the cost of operations of $752.3 billion. Interest on Investments, which is paid in the form of Treasury securities, represents 143.7 percent of the growth of the investments, up from 86.2 percent in FY 2009.

Liabilities grew in FY 2010 by $1.1 billion primarily because of the growth in benefits due and payable. The majority of our liabilities (84.2 percent) consist of benefits that have accrued as of the end of the fiscal year but have not been paid. By statute, OASI and DI program benefits for the month of September are not paid until October. Our net position grew $80.8 billion to $2,539.6 billion, reflecting the higher growth in assets than liabilities.

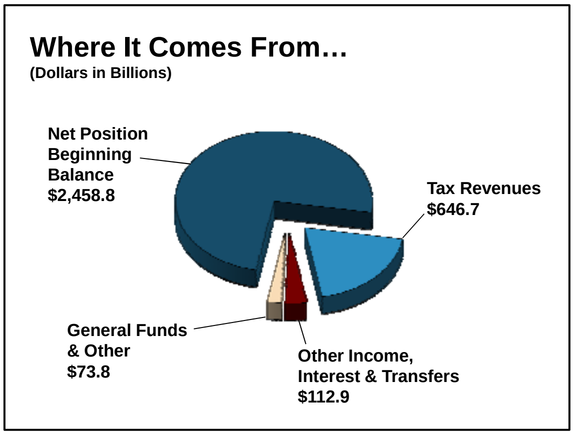
Statement of Net Cost: The Statement of Net Cost displayed on page 101 presents the annual cost of operating our three major programs: OASI, DI, and SSI. The Other category on the Statement of Net Cost consists primarily of Payments to Social Security Trust Funds appropriations and also contains non-material activities. In FY 2010, our net cost of operations increased $20.7 billion to $752.3 billion, primarily due to the first wave of baby boomers attaining retirement age. Of this increase, $32.8 billion resulted from increased benefit payments and $12.1 billion resulted from decreased operating expenses. The paragraph below notes the major changes that occurred to our three programs and the Other category in FY 2010.

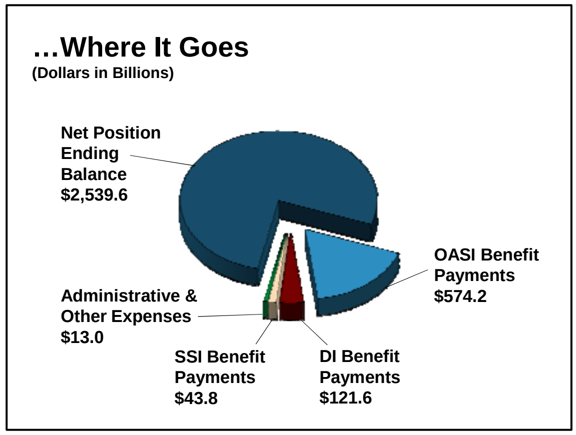
Regarding the OASI program, net cost grew 4.6 percent; benefit payments grew 4.7 percent; operating expenses grew 0.7 percent; the number of OASI beneficiaries grew 2.3 percent to 43.6 million; and average benefit payments grew by 1.1 percent to $1,106.91 per month. For the DI program, net cost grew 4.7 percent; benefits payments grew 4.7 percent; operating expenses increased by 6.0 percent; the number of DI beneficiaries grew by 5.1 percent; and average benefit payments increased 0.5 percent to $921.50 per month. The SSI program's net cost grew 4.6 percent; benefit payments grew 4.1 percent; operating expenses increased by 9.0 percent; and the number of SSI beneficiaries grew by 2.7 percent. Because the Consumer Price Index declined, there was no cost of living increase payable in 2010. Therefore, the maximum SSI benefits for eligible individuals remained unchanged at $674 per month. The operating expenses of the Other category decreased 83.3 percent. This decrease is primarily due to the $13.1 billion one-time economic recovery payments, authorized by the *American Recovery and Reinvestment Act*, that were made in FY 2009 to eligible Title II and Title XVI beneficiaries, and reported as operating expenses. The operating expenses also include administrative expenses charged to the Hospital Insurance and Supplemental Medical Insurance Trust Funds and administrative expense for the Medicare Saving Program and the Low Income Subsidy Program.

Statement of Changes in Net Position: The Statement of Changes in Net Position displayed on page 102 reflects the changes that occurred within cumulative results of operations and unexpended appropriations. The statement shows an increase of $80.8 billion in the net position of the agency, which is attributable to financing sources in excess of the agency's net cost. At this time, tax revenues and interest earned continue to exceed benefit payments made to OASI and DI beneficiaries, keeping the agency's programs solvent. We use most of the resources available to us to finance current OASDI benefits and to accumulate investments to pay future benefits. When funds are needed to pay administrative expenses or benefit entitlements, we redeem investments to supply cash to cover the outlays. Our administrative expenses as a percent of benefit expenses is 1.7 percent.

In FY 2010, total financing sources decreased by $30.0 billion to $833.0 billion. The $833.0 billion in total financing sources from the Statement of Changes in Net Position will not match the total financing sources in the chart "Where It Comes From…" on the following page. The activity in the chart includes $0.4 billion in exchange revenue, which is reported on the Statement of Net Cost. The primary source for this decrease is the $14.8 billion of *American Recovery and Reinvestment Act* authority received in FY 2009.

The following charts summarize the activity on our Statement of Net Cost and Statement of Changes in Net Position by showing the sources and uses of funds for FY 2010.



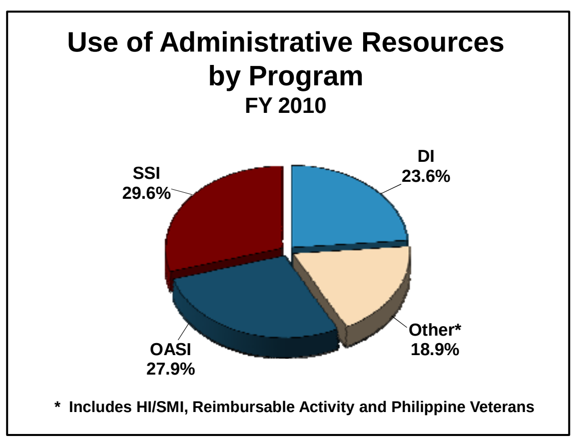


Statement of Budgetary Resources: The Statement of Budgetary Resources displayed on page 103 provides information on the budgetary resources available to SSA for the year and shows the status of those resources at the end of FY 2010. The statement shows that we had $798.6 billion in budgetary resources of which $2.1 billion remained unobligated at year-end. We recorded total net outlays of $754.2 billion by the end of the year. Budgetary resources grew $21.6 billion, or 2.8 percent from FY 2009, while net outlays increased $26.6 billion, or 3.7 percent.

Statement of Social Insurance: Federal Accounting Standards require the presentation of a Statement of Social Insurance as a basic financial statement. The Statement of Social Insurance presents estimates of the present value of the income to be received from or on behalf of existing and future participants of social insurance programs, the present value of the cost of providing scheduled benefits to those same individuals, and the difference between the income and cost. The Statement of Social Insurance displayed on page 104 for the Social Security programs covers a period of 75 years in the future, and the information and disclosures presented are deemed essential to the fair presentation of this statement.

The net present value (NPV) of future cash flows for all participants over the next 75 years (open group) decreased from -$7.7 trillion, determined as of January 1, 2009, to -$7.9 trillion, determined as of January 1, 2010. The NPV as of January 1, 2010 would have decreased by about $0.5 trillion due to advancing the valuation date by one year and including the additional year 2084. However, legislative changes, changes in methods, revisions in assumptions, and updated data increased the NPV by about $0.3 trillion.

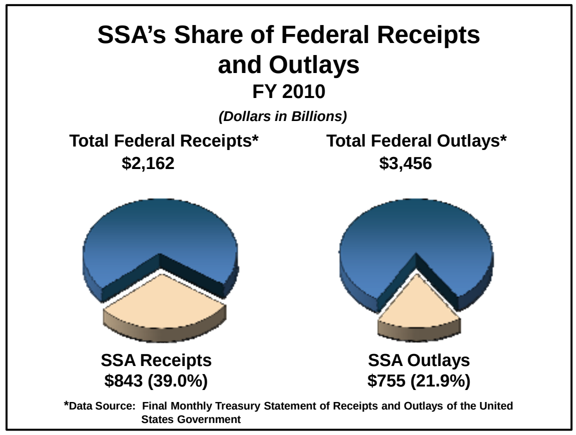
Use of Administrative Resources



The chart to the right displays the use of all administrative resources (including general operating expenses) for FY 2010 in terms of the programs we administer or support. Although the DI program comprises only 16.4 percent of the total benefit payments we make, it consumes 23.6 percent of annual administrative resources. Likewise, while the SSI program comprises only 5.9 percent of the total benefit payments we make, it consumes 29.6 percent of annual administrative resources. State Disability Determination Services handle claims for DI and SSI disability benefits and render decisions on whether the claimant is disabled. In addition, we are required to perform continuing disability reviews of many individuals receiving DI and SSI disability payments to ensure continued entitlement to benefits. The FY 2009 use of administrative resources by program was 29.5 percent for the OASI program, 23.7 percent for the DI program, 29.0 percent for the SSI program, and 17.8 percent for Other.

SSA's Share of Federal Operations

The programs we administer constitute a large share of the total receipts and outlays of the Federal Government as shown in the chart to the right. Receipts for our programs represented 39.0 percent of the $2.2 trillion in total Federal receipts, a decrease of 1.8 percent over last year as payroll tax collections declined, offsetting increases in Federal income tax collections. Outlays increased by 1.2 percent to 21.9 percent of Federal outlays.



OASI and DI Trust Fund Solvency

Pay-as-you-go Financing

The OASI and DI Trust Funds are deemed to be solvent as long as assets are sufficient to finance program obligations. Such solvency is indicated, for any point in time, by the maintenance of positive OASI and DI Trust Fund assets. In recent years, current income has exceeded program obligations for the OASDI program, and thus, the combined OASI and DI Trust Fund assets have been growing. The following table shows that OASI and DI Trust Fund assets, expressed in terms of the number of months of program obligations that these assets could finance, has grown from 40.9 months at the end of FY 2006 to an estimated 42.5 months at the end of FY 2009, followed by estimated decline to 42.2 months at the end of FY 2010.

Number of Months of Expenditures Fiscal-Year-End Assets Can Pay[1]

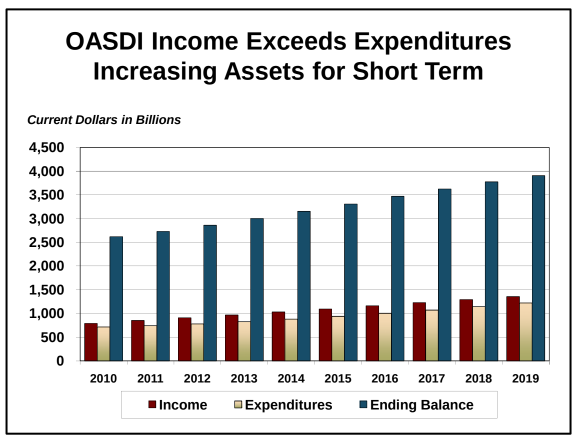
	2006	2007	2008	2009	2010
OASI	44.0	46.3	46.8	47.4	47.8
DI	25.0	23.9	22.0	19.7	16.9
Combined	40.9	42.4	42.4	42.5	42.2

[1] Computed as 12 times the ratio of end-of-year assets to outgo in the following fiscal year.

Note: Values for 2009 and 2010 are estimates that are based on 2010 Trustees Report intermediate assumptions.

Short-Term Financing

The OASI and DI Trust Funds are deemed adequately financed for the short term when actuarial estimates of OASI and DI Trust Fund assets for the beginning of each calendar year are at least as large as program obligations for the year. Estimates in the 2010 Trustees Report indicate that the OASI and DI Trust Funds, on a combined basis, are adequately financed over the next 10 years. (Financing of the DI Trust Fund is inadequate, and, without remedial action, the fund is expected to be exhausted in 2018.) Under the intermediate assumptions of the 2010 Trustees Report, OASDI estimated expenditures and income for 2019 are 78 percent and 68 percent higher than the corresponding amounts in 2009 ($686 billion and $807 billion, respectively). From the end of 2009 to the end of 2019, assets are expected to grow by 54 percent, from $2.5 trillion to $3.9 trillion.



LONG-TERM FINANCING

Social Security's financing is not projected to be sustainable over the long term with the tax rates and benefit levels scheduled in current law. Program cost will exceed tax revenues in all years of the 75-year projection period, except for 2012 through 2014. In 2037, the combined OASI and DI Trust Funds will be exhausted according to the projections by Social Security's Chief Actuary. The primary reasons for the projected long-term inadequacy of financing under current law relate to changes in the demographics of the United States: baby boomers approaching retirement, retirees living longer, and birth rates well below historical levels. In present value terms, the 75-year shortfall is $5.4 trillion, which is 1.8 percent of taxable payroll and 0.6 percent of Gross Domestic Product (GDP) over the same period. Some of the possible reform alternatives being discussed – singularly or in combination with each other – are: (1) increasing payroll taxes, (2) slowing the growth in benefits, (3) using general revenues, or (4) increasing expected returns by investing, at least in part, in private securities through either personal accounts or direct investment of OASI and DI Trust Fund assets.

For more information, pages 136 through 152 contain the Required Supplementary Information: Social Insurance disclosures required by the Federal Accounting Standards Advisory Board.

Limitations of the Financial Statements

The principal financial statements beginning on page 99 have been prepared to report the financial position and results of operations of the Social Security Administration, pursuant to the requirements of 31 U.S.C. 3515 (b). While the statements have been prepared from the books and records of the Social Security Administration in accordance with generally accepted accounting principles for Federal entities and the formats prescribed by the Office of Management and Budget, the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records.

The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.